

Southern California Association of Governments

SCAG

Charting a course for >>> Southern California's
FUTURE

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TRANSPORTATION COMMISSION

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connecting with scag

SCAG encourages dialogue, inquiries and active participation from all segments of the regional community. To foster these communications, SCAG produced the award-winning Regional Vision newsletter, highlighting the progress of its activities and initiatives throughout Southern California. Regional Vision includes feature stories, news articles and updates about subregional agencies' efforts to enhance one of the most dynamic and diverse areas in the country.

SCAG's Web site, located at www.scag.ca.gov, also serves as an important communications tool between the organization and the public. From the home page, you can "Get Involved" by sending in questions or comments about SCAG activities or requesting a presentation to your organization. You can also help SCAG define the issues shaping Southern California's future by taking our online survey.

This interactive Web site also provides detailed information about SCAG and its subregions, including up-to-date materials on many of SCAG's major initiatives, as well as information regarding SCAG's Regional Council and policy committee meetings. The comprehensive site also features an event calendar and links to many other useful resources.

SCAG also has valuable planning and policy tools available to the public, such as the agency's comprehensive 25-year planning document, *Destination 2030*, the *State of the Region Report*, the *Regional Economic Forecast Report*, and a series of policy fact sheets on critical issues facing the region.

To learn more about how you can access these important, informative tools, please contact the Southern California Association of Governments: 818 W. Seventh Street, 12th Floor, Los Angeles, CA 90017-3435; phone, 213-236-1800, fax, 213-236-1964; or visit our Web site, www.scag.ca.gov.

Communications Awards

SCAG received accolades for its communications efforts, receiving the 2003 Prism Awards for Best Newsletter and Best Press Release.

SCAG received the awards in November 2003 given by the Public Relations Society of America, Los Angeles Chapter for the *Vision* Newsletter and the press release highlighting the findings of the *State of the Region Report*.

SCAG

MISSION

LEADERSHIP ► VISION ► PROGRESS

Leadership, vision and progress which promote economic growth, personal well-being, and livable communities for all Southern Californians.

The Association will accomplish this Mission by:

- Developing long-range regional plans and strategies that provide for efficient movement of people, goods and information; enhance economic growth and international trade; and improve the environment and quality of life.
- Providing quality information services and analysis for the region.
- Using an inclusive decision-making process that resolves conflicts and encourages trust.
- Creating an educational and work environment that cultivates creativity, initiative, and opportunity.

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message from the executive director

Dear Friends and Colleagues:

Welcome to SCAG's 2003-04 Annual Report. Within these pages, we are pleased to highlight some of our major accomplishments over the last year to help improve the quality of life in SCAG's six-county Southern California region.

Southern California's 187 cities are as diverse in their needs as their residents and businesses. But no matter how many differences Southern Californians have, those of us involved with the work of SCAG over the years recognize that we have many more goals in common. In the interest of future generations, we have started bringing change to the way that local planning decisions are made by providing regional perspectives to those decisions, by focusing on the "big picture" and by helping our region collectively define what we want Southern California to look like in 25 years.

One thing is certain – our population will continue to grow. Millions of new residents will call Southern California home by 2030, with the majority of that growth resulting from the reproduction of our current residents. This tremendous growth will have impacts that transcend city and county borders, and we must work together regionally to address these issues. Decisions made about the future of one local community have ever-increasingly important impacts on other communities, whether it's the town next door or one hundreds of miles away.

As the findings of our most recent *State of the Region Report* indicate, the issues facing Southern California today and in the future are indeed complex and challenging. We must continue exploring the interconnected nature of traffic, housing, air quality, land use and other planning issues. If we fail to take a more comprehensive approach to planning our future, Southern California's economic and social vitality will be threatened. Our transportation network will face ever-worsening gridlock. Housing will become even more difficult to afford, causing people to move farther away from the region's job centers and jeopardizing our ever-dwindling open space and other environmental jewels. This will only bring longer commutes, further worsening traffic congestion and air quality.

However, SCAG, together with its planning partners, is ready to meet these challenges. SCAG launched *Southern California Compass*, an unprecedented growth visioning effort that recognizes the complex relationships between the communities that make up Southern

California. This unique program also recognizes that the availability of affordable housing, accessible transportation, and air quality are all pieces of the same puzzle, and that each piece needs to be in place in order to see the whole picture. Through Compass, SCAG hopes to create a new regional dialogue over our common goals and to create an ongoing planning process that responds to both local and regional priorities.

The last year also marked the development and unveiling of *Destination 2030*, the 2004 Regional Transportation Plan, which serves as SCAG's all-encompassing blueprint laying out the vital investments needed in our region's network of roads, freeways, rail and transit systems, airports, seaports and other transportation facilities.

In addition to *Southern California Compass* and *Destination 2030*, SCAG also undertook a series of other critical initiatives to address the complex challenges facing Southern California:

- Coordinated an unprecedented effort in Washington and Sacramento to advocate a consensus program for critical transportation priorities
- Unveiled an economic development initiative predicated on investments in our goods movement infrastructure
- Developed the only short-term assessment of the six-county Southern California economy
- Worked to change state housing element law to facilitate the development of new housing throughout the region
- Met with our planning partners in San Diego and Kern Counties to coordinate common planning efforts
- Strived to develop an interstate coalition and foster a new trade corridor through the Southwestern United States
- Reached out to Native American Tribal Governments to encourage their participation in the regional planning process

This is a unique and exciting time to be involved in the many cutting-edge planning and policy issues that SCAG addresses. We look forward to working with our partners to identify and implement solutions today that will pay off in the future. We are confident that the work we do today will help foster a vibrant, sustainable Southern California that our children and grandchildren will be proud to call home.



A stylized, handwritten signature in black ink that reads "Mark Pisano".

Mark Pisano
Executive Director

Recognizing Regional Contributions

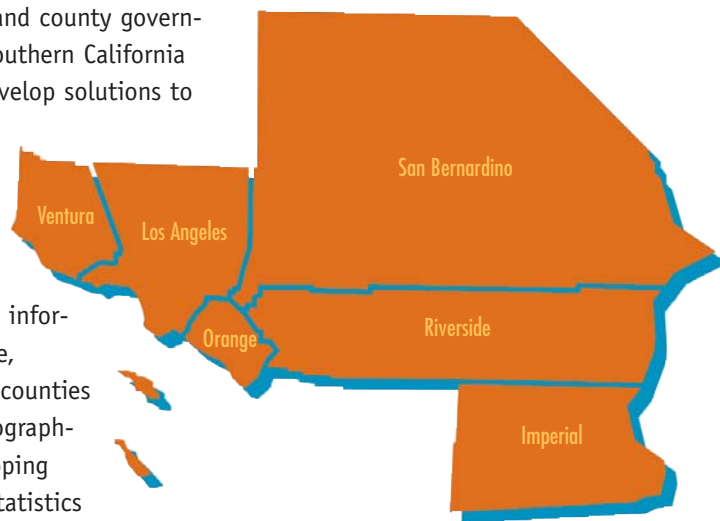
At the 2003 General Assembly, SCAG awarded its Donald G. Hagman Award for Regional Citizen of the Year to Larry Sharp, president and CEO of the Arrowhead Credit Union (ACU). Mr. Sharp has worked with numerous community organizations and was instrumental in establishing the first off-site MBA program for California State University, San Bernardino. He also initiated the Arrowhead Foundation, which has provided scholarships to more than 40 students. Mr. Sharp's vision and dedication to the Inland Empire and greater Southern California region has helped the ACU become an integral partner in a myriad of community programs and services that have made Southern California a more desirable place to live and work.

Supporting Southern California's Leadership

SCAG has long supported the Southern California Leadership Network (SCLN), a leadership development and issues education institute that promotes collaborative problem-solving to meet the many policy challenges facing Southern California. Each year, the Regional Council sends two of its members to participate in the SCLN's eight-month educational program called Leadership Southern California, where participants engage in a comprehensive program on a variety of policy issues impacting our region.

about scag

SCAG is the Metropolitan Planning Organization (MPO) for the six-county Southern California region, the nation's largest metropolitan area. Through SCAG, city and county governments throughout Southern California come together to develop solutions to common problems in transportation, housing, air quality, waste management and other issues. SCAG also acts as an information clearinghouse, providing cities and counties a wide array of demographics, forecasting, mapping and other regional statistics and data.



Decision-making occurs through SCAG's Regional Council, a governing body composed of 76 city and county elected officials and transportation commissioners. SCAG's policy-making process is guided by the work of three policy committees (Transportation and Communications; Community, Economic and Human Development; Energy and Environment), and its operations are governed by the Administration Committee.

The agency also operates via a number of critical partnerships at the local, state and federal levels. In addition to its federal and state funding partners (Federal Highway Administration, Federal Transit Administration, Federal Aviation Administration, California Department of Transportation, etc.), SCAG's planning efforts are also closely coordinated with fourteen subregions and six county transportation commissions (CTCs).

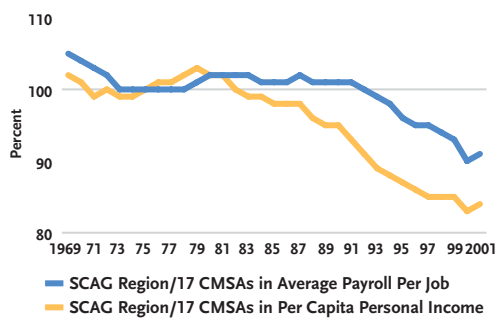
Over the last year, SCAG was very pleased to welcome the additions of several new members to its governing board, including the Orange County Transportation Authority and the City of Banning. At the time this report went to press, the City of Fullerton also voted to become a member. There are a total of 163 member cities in the 187-city Southern California region.

SCAG increasingly relies on input from its constituent members, community leaders, and the Southern California citizenry. It also employs a staff of professional planners, modelers and policy analysts who examine the region's problems and develop potential solutions to them before they become unmanageable.

where do we stand?

Each year, SCAG issues its *State of the Region Report*, an annual “Report Card” that rates the six-county SCAG region’s performance in seven key policy areas, including transportation, employment, income, housing, air quality, safety and education. With the 2003 report, SCAG hopes that its findings will provide a much-needed wake-up call for Southern California’s leadership to address a number of difficult and inter-related challenges. Traffic congestion, the lack of affordable housing and a continuing loss of high-paying manufacturing jobs present major hurdles to maintaining Southern California’s quality of life.

Average Payroll Per Job and Per Capita Personal Income
(SCAG Region vs. 17 Largest Metropolitan Regions)



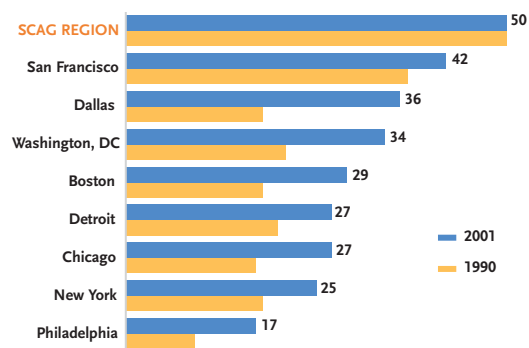
“SCAG views the report’s findings as a major call to action and has set into motion a series of initiatives designed to confront and address many of the challenges raised in the report.”



STATE OF THE REGION REPORT



Annual Hours of Delay per Person
by Metropolitan Area



Southern California continues to be one of the nation's most dynamic metropolitan areas and one of the most vital gateways for international trade. The Ports of Los Angeles and Long Beach rank second and third, respectively, in terms of cargo volume, and Los Angeles International Airport ranks eighth in the value of trade.

Despite a significant loss of manufacturing jobs over the course of the 1990s, the region's economic base has become more diversified, with stronger roles in international trade, entertainment, tourism and business services, making it more resilient to economic downturns.

STATE OF THE REGION REPORT

Many of the findings from the *State of the Region Report*, however, highlight serious challenges that must be addressed at every government level:

EMPLOYMENT During 2002, the region lost 22,000 jobs, the first loss since the end of the recession in 1993. The unemployment rate increased from 5.1 to 6.1 percent, slightly higher than the national average. While the region lost jobs in the manufacturing and information sectors, the government and health care sectors continued to be solid employment generators.	1998 B ⁻	1999 A ⁻	2000 B ⁺	2001 B 2002 B ⁻
INCOME Southern California, which in 1970 had the fourth highest per capita income level among the nation's 17 largest metropolitan regions, dropped to 7th place in 1990 and 16th in 2000. Additionally, nearly one out of every five children within the region lives below the poverty level. These findings result primarily from the continual loss of high-paying manufacturing jobs since the early 1990s and their replacement, by and large, by lower-paying service-oriented jobs.	1998 C ⁺	1999 C ⁺	2000 C	2001 C 2002 C ⁻
HOUSING While the region experienced the largest issuance of building permits (68,000 units) since 1990, affordability worsened due to sharp increases in housing prices and the lack of growth in household income. Less than one-third of the region's households could afford a median-priced home, and when compared to other metropolitan areas, Southern Californians continued to have the highest percentage of owner and rental households spending more than 30 percent of their income on housing.	1998 C ⁻	1999 C ⁻	2000 C ⁻	2001 D ⁺ 2002 D ⁺
MOBILITY Despite increases in transit ridership, Southern California continues to rank as the nation's most congested metropolitan region. Residents experience an average of 50 hours of delay each year due to traffic congestion, the highest among the nation's major metropolitan areas.	1998 D	1999 D	2000 D	2001 D 2002 D ⁻
AIR QUALITY After several years of improvement, the number of days exceeding federal ozone standards increased dramatically from 36 to 49 days, and 2003 saw the first Stage 1 alert for ozone since 1998. The report's findings illustrate the direct relationship between increasing traffic congestion and worsening air pollution.	1998 C	1999 B ⁻	2000 B	2001 B ⁻ 2002 C
EDUCATION Except in Ventura and Orange Counties, 8th graders throughout the region performed below the national median in reading and math test scores. Every county had less than 40 percent of high school graduates completing the coursework necessary to attend the UC or CSU systems. Among the nine largest metropolitan areas, SCAG remained last in the percentage of adults with at least a high school diploma, and second to last in adults with a Bachelor's degree.	1998 D	1999 D	2000 D	2001 D 2002 D
SAFETY Violent crime rates declined slightly throughout the region, most particularly in Orange and Imperial Counties. Juvenile arrest rates have declined steadily since 1990.	1998 B	1999 B ⁺	2000 B ⁺	2001 B 2002 B

Grade: A: excellent • B: moderately well • C: average • D: potential failure • F: failing

SCAG views the report's findings as a major call to action and has set into motion a series of initiatives designed to confront and address many of the challenges raised in the report.

For more information about SCAG's *State of the Region Report* visit the SCAG Web site at www.scag.ca.gov.



“This unique program is designed to offer residents a direct opportunity to develop a new vision for Southern California’s future and to give local decision-makers the tools that they need to help implement that vision.”

crafting a new vision

As the *State of the Region Report* illustrates, Southern California faces a number of difficult and complex challenges today and in the future, from worsening traffic congestion and air pollution to increasing strains on open space, water resources and other environmental assets, to a housing market burdened by a crisis in affordability and availability. With the tremendous growth projected for the region by 2030, these issues will become even more difficult to overcome without a concerted effort to address the manner in which Southern California grows.

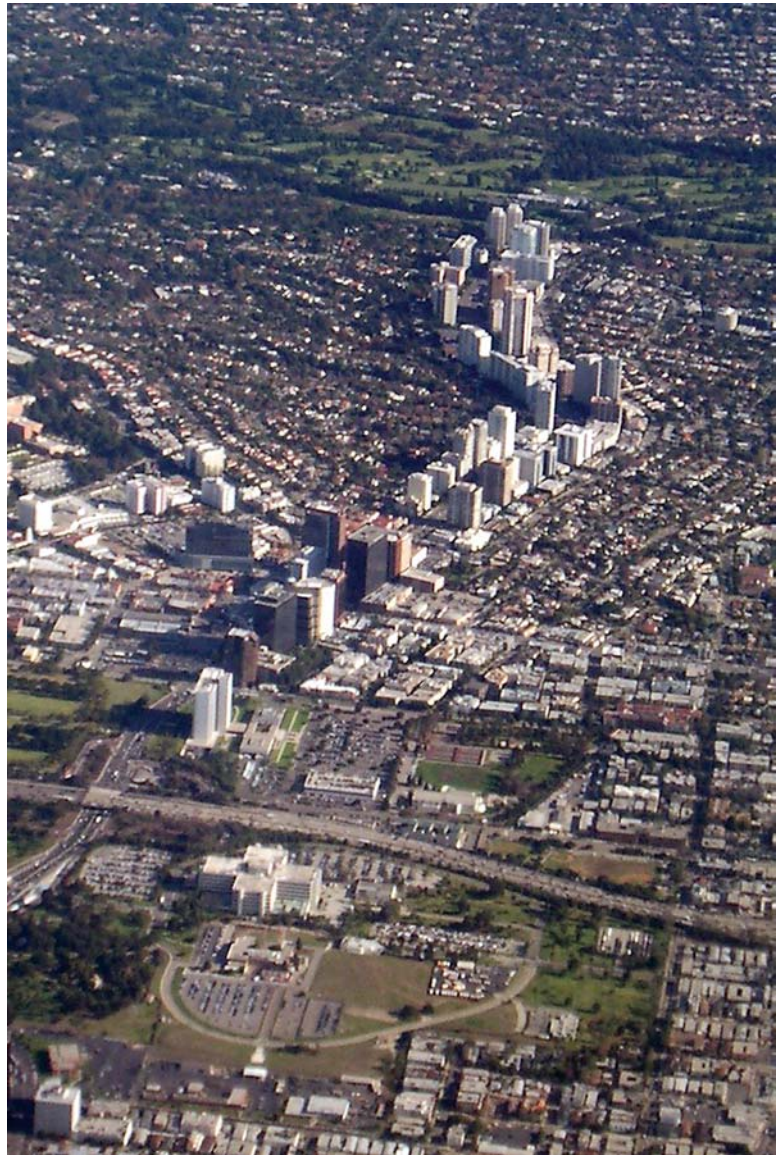
To address these challenges head-on, SCAG initiated *Southern California Compass*, the nation’s largest and most ambitious growth visioning effort. At its essence, *Southern California Compass* represents an integrated, interactive approach to transportation and land use planning. This unique program is designed to offer residents a direct opportunity to develop a new vision for Southern California’s future and to give local decision-makers the tools that they need to help implement that vision.

The vision emerging from this effort is guided by several key principles – mobility, livability, prosperity and sustainability – meant



to address the challenges associated with future growth and improve the quality of life for future Southern Californians. The effort focuses on ways to accommodate growth by taking advantage of efficiencies in the existing and planned transportation network. This new approach to growth will require changes in land use and development practices, affecting approximately 2% of the region's landmass. This "2% Solution" allows for the flexibility in land use decision-making to seek opportunities without imposing new growth patterns where they may be inappropriate or unwanted. A series of strategies have been proposed to help implement that vision:

- Focus on more compact, mixed-use and transportation-friendly development in existing centers and corridors, ideally by placing households and jobs in areas that are already urbanized to preserve valuable open space
- Where vacant land currently exists to accommodate projected growth, developments should be more compact and built near transit centers to increase transit usage and alleviate congestion on roads and highways
- Improve transit networks and develop infrastructure for bicycling and walking in conjunction with supportive land uses
- Preserve existing single-family home residential areas



To a significant degree, Southern California residents helped to shape this vision. At the crux of this effort was a series of 13 Compass workshops held throughout the region. At these workshops, more than 1,500 residents contributed their own visions for the future by working with their peers to place chips representing future growth on maps of the



region. Each of these maps became real scenarios that were then charted and analyzed by the *Southern California Compass* team to identify the major themes from the workshops. Beyond the workshops, SCAG conducted public opinion surveys, secured input from the project web site, held specific issue area dialogues with stakeholders, and reviewed growth and development assumptions with subregions and local governments.

As the *Southern California Compass* program continues, SCAG has used the preliminary vision to help identify the critical transportation investments identified in *Destination 2030*, the 2004 Regional Transportation Plan. Incorporating these strategies into *Destination 2030* provides for an efficient and effective way to reduce congestion, improve performance of the transportation system and reduce vehicle emissions. SCAG also has initiated a series of dialogues with public and private leaders throughout the region to inform them about the issues that arose during the visioning process and discuss potential implementation strategies that can benefit their communities as well as the region at large.

SCAG greatly appreciates the efforts taken by many of our citizens to help create a new vision for our region, and we strongly encourage our leadership and residents to participate in this effort as it moves forward. For more information about how to become involved in *Southern California Compass*, please contact 800-337-4819 or go to www.socalcompass.org.

mapping southern california's transportation future



Approximately 2.2 million hours of congestion delay occur each day across the region. If current trends continue and no improvements are made to our transportation system, that delay will more than double to an astounding 5.2 million hours each day by 2030. Southern California's economy, which increasingly relies on trade and commerce, will be jeopardized by the inability of our existing road and rail system to handle increasing demands. The need for transportation investments – maintaining the current system and making new strategic improvements – will be at an all-time high while public funding for those projects will steadily decrease.

To confront these challenges, SCAG developed *Destination 2030*, the 2004 Regional Transportation Plan (RTP). After years of policy debate, public dialogue, and coalition building, the draft release of *Destination 2030* occurred in October 2003 as an unprecedented approach for addressing the region's long-term transportation needs and identifying solutions to the many congestion challenges we face. In addition to

“*Destination 2030* lays out a vision for Southern California without boundaries...one in which cities and counties work together to plan for our future and consider how growth patterns can be accommodated in a manner that preserves our preferred quality of life.”





reducing congestion in Southern California, the plan will also help the region maintain air quality standards and provide for transportation improvements within a feasible budget. Individual transportation projects must be included in *Destination 2030* to be eligible for state or federal funding. The plan includes numerous recommendations, including:

- Significant investments to maintain and improve the performance of existing road, highway and transit systems
- Capacity enhancements to the US-101, I-710, I-5, I-15, I-215, SR-60, SR-91, SR-111 and other major Southern California freeways
- New High-Occupancy Vehicle (HOV) lanes to fill gaps in the HOV network in Los Angeles, Orange, Riverside and San Bernardino Counties
- A regional aviation system to decentralize airport passenger and cargo demand as well as to improve ground access to individual airports



- New bus and rail transit corridors in Los Angeles, Orange, Riverside and San Bernardino, increased capacity of the Metrolink system, and other key improvements to our transit systems
- An intra-regional high-speed transportation system based on Magnetic Levitation (Maglev) technology that connects Southern California's major population and transportation centers
- Intelligent Transportation Systems (ITS) and Advanced Traveler Information Systems (ATIS) to improve system performance
- Hundreds of other strategic investments

Unlike previous RTPs, *Destination 2030* was developed within the context of an unprecedented Growth Visioning effort in order to examine the critical relationships between land use and transportation planning and ensure that the investments included in *Destination 2030* achieve maximum performance. *Destination 2030* lays out a vision for Southern California without boundaries, one in which cities and counties work together to plan our future and consider how growth patterns can be accommodated in a manner that preserves our preferred quality of life.



One of the most serious issues raised by *Destination 2030* is the multi-billion dollar shortfall facing Southern California in the amount of funding that will be needed to maintain current transportation systems and implement much needed improvements. Future federal or state support for local priorities is not expected to come anywhere near the proportions seen in previous decades. Between now and 2030, Washington and Sacramento will provide only 25 percent of the total funds that will be available to the region, with the remaining resources generated locally.

SCAG estimates that with current revenue sources, there will barely be enough funds to maintain Southern California's current system and implement short-term improvements already identified, let alone make any new strategic investments to fundamentally enhance our current infrastructure. These difficult funding obstacles identified in the plan's draft were exacerbated by the state transportation funding reductions proposed in January.

To meet Southern California's long-term needs, fundamental changes to our transportation finance system must be seriously considered, and



Destination 2030 makes a series of recommendations to overcome this funding shortfall. If we don't assess our current revenue system and explore potential innovative alternatives now, we seriously jeopardize our ability to maintain our current system and make the improvements needed to keep pace with projected growth.

Following the draft release of *Destination 2030*, SCAG implemented an extensive community and media outreach program designed to inform Southern Californians about the complicated transportation dilemmas facing the region and to seek public input on potential solutions to those issues. Hundreds of presentations and community forums were held throughout the region as SCAG sought input from elected officials, transportation agencies, business and community leaders, and the public at-large. After considering all of the feedback received and making modifications to the draft plan, SCAG's Regional Council adopted a final version of *Destination 2030* in April 2004.

To view a copy of *Destination 2030*, please visit the SCAG Web site at www.scag.ca.gov.

fighting for regional priorities and resources in washington and sacramento

“Members of Southern California’s congressional and state legislative delegations...were impressed with the show of regional unity.”

Consensus Program Priority Projects

Imperial County

SR-78/Brawley Bypass

SR-98 Corridor Improvements

I-8/Imperial Avenue

Interchange Improvements

Los Angeles County

Eastside Light Rail

Exposition Light Rail

I-405 HOV Lanes

I-5 Mixed Flow and HOV Lane

I-5 HOV Improvements

Green Line Connection

Orange County

Centerline Rail Transit System

Bristol Street Multi-Modal Corridor

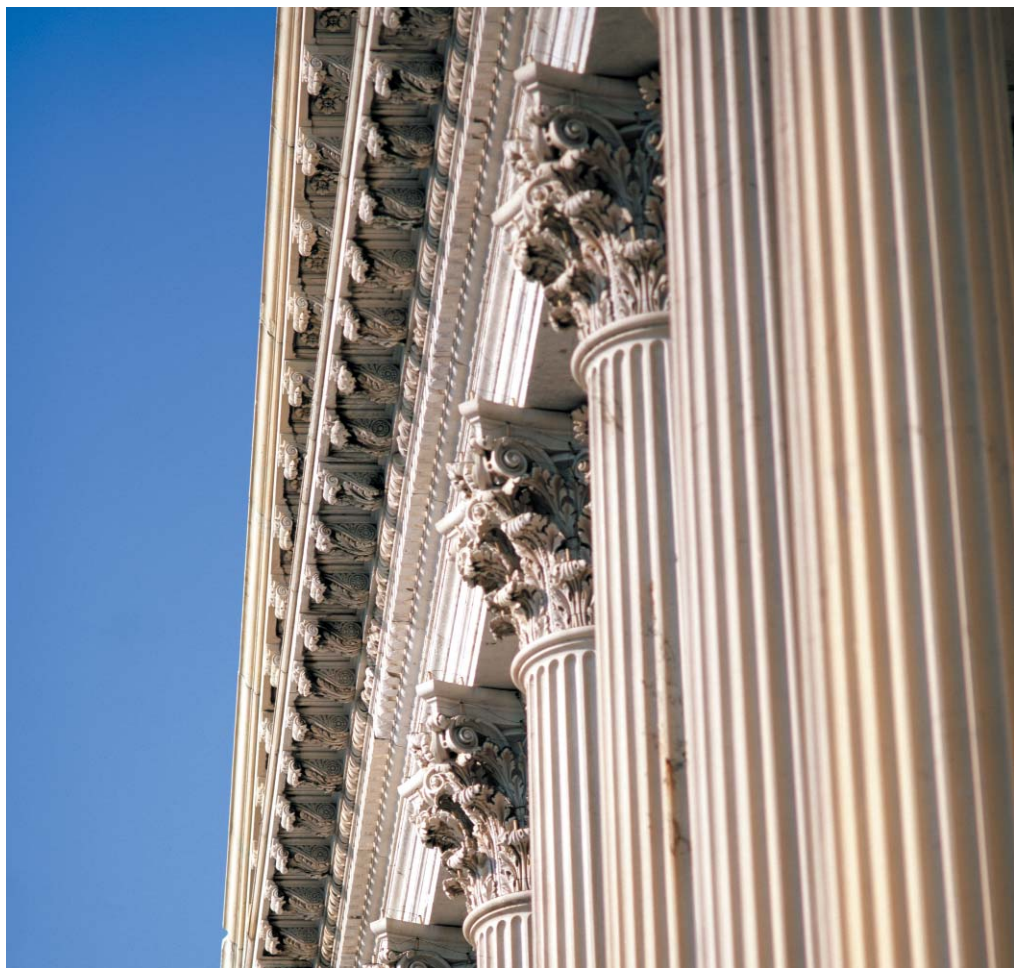
SR-91 General Purpose Lane

SR-57 Truck Climbing Lane

OnTrac (Alameda Corridor East)

In an unprecedented show of unity, transportation leaders from each of Southern California’s six counties that make up the SCAG region visited congressional representatives in Washington, D.C. in February 2003 to advocate for a package of \$29 billion in priority regional transportation projects, with a follow-up trip to Washington in 2004.

The transportation officials sought to have the projects, which are included in *Destination 2030*, included in the next version of the federal Transportation Equity Act, known as TEA-LU. Since the early 1990s, Congress has passed various versions of that act, which serves as the federal government’s comprehensive transportation funding measure for a range of highway, transit, local road, bicycle and pedestrian projects. Regional transportation officials also stressed the importance of having



CONSENSUS PROGRAM FOR THE 21st CENTURY



Southern California receive an increased share of its contributions to the Highway Trust Fund as part of TEA-LU.

In addition to advocating for specific project priorities to be included in TEA-LU, regional leaders also brought a package of nearly \$350 million in appropriations requests to Capitol Hill to help fund a series of short-term priorities in Southern California.

SCAG also brought forward an ambitious legislative agenda to state lawmakers in Sacramento. At the top of the priority list were efforts to maximize vital state transportation revenues earmarked for the region. The diversion of gasoline sales taxes from transportation back to the General Fund, coupled with the proposed elimination of the Traffic Congestion Relief Program (TCRP), would result in a multi-billion funding shortfall for the region.

Members of Southern California's congressional and state legislative delegations, along with other lawmakers and leaders in the transportation arena, were impressed with the show of regional unity, and they committed to working hard to ensure that the region receives its fair share of federal and state dollars.

Consensus Program Priority Projects

Riverside County

Community Environmental
Transportation Acceptability
Process (CETAP: study of new
corridors between Orange,
Riverside, San Bernardino Counties)
San Jacinto Metrolink Commuter
Rail Line
SR-91 HOV lanes

San Bernardino County

Colton Crossing Grade Separation
I-15 Truckway
I-215 Widening
I-10, I-15 Interchange Improvements

Ventura County

Transportation Management
System Installation
Port Hueneme Intermodal Port Access
Piru Rail Bridge and Track Restoration
SR-118 Widening

Intra-Regional Projects

Alameda Corridor East Improvements
East-West Corridor Improvements
Metrolink Service Improvements
I-710 Completion
Gerald Desmond Bridge Replacement
Gold Line Light Rail Extension
to Montclair



“Home to the largest port complex and one of the most heavily used air cargo facilities in the nation, the movement of goods in and out of Southern California plays a vital role in our economy.”

working to maintain long-term economic vitality

In June 2003, the Regional Council was presented with *Operation Jump-start*, an ambitious regional economic revitalization proposal to accelerate a series of road and rail improvements, create thousands of high-paying jobs, and build the infrastructure necessary for maintaining Southern California's position as an international trade center.

Operation Jump-start is intended to reverse a disturbing trend of declining income and increasing poverty in Southern California by building on the region's strengths as a center for trade and commerce. Home to the largest port complex and one of the most heavily used air cargo facilities in the nation, the movement of goods in and out of Southern California plays a vital role in our economy. But this economic activity also creates additional pressures on our already overburdened road and rail infrastructure. With projections for tremendous growth in future cargo demand at our airports and seaports, our existing transportation system will falter unless strategic investments are made.



OPERATION JUMP-START



Operation Jump-start proposes a three-pronged approach to revitalizing the region's economy through investments in:

- Dedicated truck lanes and other capacity improvements on some of the area's most crowded freeways that would relieve overall congestion and improve the efficiency of truck travel while improving air quality and freeway safety
- Capacity improvements and key grade separations for key east-west rail corridors that would ease road/rail congestion while allowing more trains to transport goods throughout the region and the nation
- A high-speed magnetic levitation (Maglev) train system that would provide a major commuter alternative and facilitate a truly regional airport system

The proposal recommends creating a series of public-private partnerships to finance the elements of *Operation Jump-start* and oversee their development and operation. Since its original presentation to the Regional Council in June, SCAG has been undergoing an education and consensus-building effort with local transportation leaders, county transportation commissions, lawmakers and the trucking and rail industries.

assessing the region's economic outlook

“The conference – which doubled the attendance of prior years – is the only event that assesses the short-term economic outlook for the six-county region as a whole.”

A dynamic assembly of local and national economic leaders provided a cautiously optimistic outlook for strengthening economic growth in the Southern California region during 2004 and 2005 at SCAG's Seventh Annual Regional Economic Forecast Conference. More than 200 local elected officials and staff, public agencies, private sector executives and academics attended the SCAG conference held at the Hyatt Newporter in Newport Beach. The conference – which doubled the attendance of prior years – is the only event that assesses the short-term economic outlook (2004-2005) for the six-county region as a whole.

In addition to examining Southern California's short-term economic health, the conference focused more specifically on the increasingly important role that trade and commerce play in the regional economy. Representatives from the Port of Los Angeles, California Truckers Association and Burlington Northern Santa Fe Railroad Company each spoke of the critical investments needed in Southern California's road and rail infrastructure to maintain the region's competitiveness in the global marketplace.



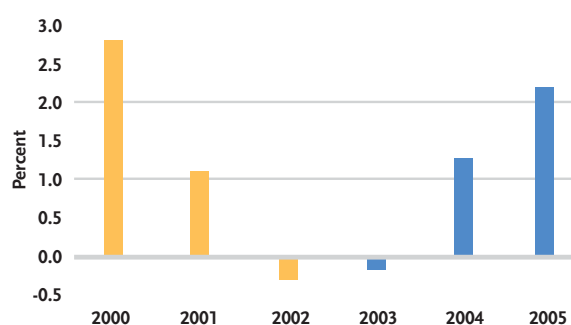
2004-05 REGIONAL ECONOMIC FORECAST



The conference was centered around two forecasts compiled by SCAG in partnership with California State University, Fullerton (CSUF) and California State University, Long Beach (CSULB). The CSUF forecast noted that job losses in the region's manufacturing sector point to a continuing downward trend both statewide and nationally, as more businesses shift their operations to out-of-state or overseas locations. The share of manufacturing jobs to total payroll jobs in Southern California has declined from 18.4 percent in 1990 to 12.9 percent in 2002. According to the CSULB Forecast, the region experienced two consecutive quarters of job growth (fourth quarter of 2002 and first quarter of 2003), only to be followed by two subsequent quarters of further job loss. The forecast also indicated that the worst of the recession is now over and that improvements are projected by 2005.

In addition to the economic forecasts and the goods movement panel discussion, conference attendees heard remarks from two prominent leaders in the business and political worlds. Ruben Barrales, Deputy Assistant to President Bush, told the attendees about the President's economic stimulus package and how it will help generate new economic opportunities in the region. Justo Frias, president of Gigante USA supermarkets, provided insight about his company's plans for expansion, as well as his strategies on how best to meet the needs of the growing Latino consumer market in the United States.

Regional Employment Growth



working to meet regional housing needs

“SCAG was successful in negotiating several proposed changes to the state’s housing element law to make planning for future needs a less contentious process.”

One of the most critical elements associated with accommodating Southern California’s current and projected population growth is identifying ways in which housing development can keep pace with this growth. In that vein, SCAG has been leading efforts to press for additional housing development and identify incentives for local government to make such development more fiscally feasible and desirable.

Coming out of a comprehensive Housing Summit in December 2002, which brought together local leaders from throughout the region to discuss strategies for addressing Southern California’s ongoing housing crunch, SCAG embarked on an important advocacy effort to provide relief.

Beginning in July, SCAG actively participated in the statewide Housing Element Working Group, charged with identifying changes to existing state law that will provide greater incentives for the development of housing. The Working Group, which was convened by the California Department of Housing and Community Development at the request of the





State Legislature, includes councils of government, local elected leaders, housing advocates, and home builders. Through this group, SCAG was successful in negotiating several significant changes to the state's housing element law to make planning for future needs a less contentious process. Those changes include:

- Increased coordination of housing goals with regional transportation planning
- Greater clarity to the process of determining local housing needs by establishing specific criteria for local allocations
- An improved process for permitting subregional organizations to determine housing need goals

As a direct result of these efforts, new legislation has been sponsored by State Assemblymember Alan Lowenthal to implement these changes to the state housing element law. These and other legislative reforms will be among the many topics of discussion at SCAG's 2004 Regional Housing Summit.

reaching beyond our borders

“SCAG is committed to meeting with both SANDAG and Kern COG on a regular basis to continue a larger regional collaborative effort that will be necessary to achieve progress on issues of common concern.”

SCAG not only recognizes that issues like transportation, air quality, housing and growth cross city and county lines, they also transcend regional boundaries. As such, SCAG held a series of summit meetings with its “sister agencies” to the north and south. More specifically, SCAG leaders met with their counterparts at the San Diego Association of Governments (SANDAG) and the Kern County Council of Governments (Kern COG) to discuss and coordinate a series of critical planning issues that impact the respective agencies.

SCAG and SANDAG discussed a number of critical transportation and trade issues at their meeting, including the Southwest Compact economic development initiative (see next page), the development of a West Coast Corridor Coalition, and the coordination of improvements to the I-15 Freeway. At the conference with Kern COG, regional leaders discussed joint efforts to undertake improvements to I-395, SR-14 and SR-58 Freeways, which traverse through both regions. The agencies also committed to working together on common rail investments and engaging leaders in Congress and the state legislature to secure critical funding.

SCAG is committed to meeting with both SANDAG and Kern COG on a regular basis to continue a larger regional collaborative effort that will be necessary to achieve progress on these issues of common concern.



forging a southwest compact

Clearly, the trade and logistics industry will be a critical force in Southern California's economic future. With international trade from the Pacific Rim and Latin America fueling the economy, the southwestern portion of the United States and the northern states of Mexico are well positioned to capitalize on the projected growth in trade by developing an integrated economic development and transportation strategy for the region.

In order to maintain the area's position in the global marketplace, significant investments are needed in the road and rail infrastructure to provide for the efficient movement of goods in and out of the region. SCAG has established a priority effort in developing a new Southwest Compact among the region's governments and other key decision-makers throughout the Southwest United States. In October of 2002, SCAG sponsored the Southwest Compact Conference in Brawley, bringing together nearly 100 elected officials, business leaders and transportation experts

“SCAG has established a priority effort in developing a new Southwest Compact among the region's governments and other key decision-makers throughout the Southwest United States.”





from throughout the Southwestern U.S. and Mexico to identify transportation infrastructure improvements and foster greater cross-border economic cooperation.

Building upon the 2002 Conference, SCAG efforts have focused on three major areas to help lead to implementation of a Southwest Compact. First, the SCAG Regional Council has signaled its support for federal legislation to establish a Southwest Regional Border Authority that promotes economic development and enhances goods and people movement through the Southwest. Second, SCAG has contacted other metropolitan planning organizations throughout the area, as well as state departments of transportation and county planning agencies. Finally, SCAG agreed to participate actively in the U.S. Mexico Border Counties Coalition and chair the Bi-State Transportation Technical Advisory Committee.

SCAG will continue these efforts to forge a Southwest Compact and develop the foundation that will transform and sustain our region as an economic powerhouse for decades to come.

reaching out to native american governments

In its 2002 Strategic Plan, SCAG identified more meaningful outreach to, and participation from, the region's Native American communities as a major goal within the regional planning process.

Working with the Agua Caliente Band of Cahuilla Indians, SCAG held a summit in September with Tribal Council leaders within the SCAG region. The agenda included opportunities for the Tribal leaders to better understand the agency's regional planning roles and responsibilities and ask questions about ways in which the Tribes can become more actively engaged in SCAG's planning initiatives.

SCAG and the Tribal leaders held a follow-up session in February 2004 hosted by the Morongo Band of Mission Indians. SCAG is committed to continuing the dialogue with Southern California's Tribal Governments to determine how they can become more engaged in SCAG's planning efforts.

“SCAG is committed to continuing the dialogue with Southern California's Tribal Governments to determine how they can become more engaged in SCAG's planning efforts.”



implementing best practices

“KPMG was so impressed with the improvements in SCAG's financial reporting, it recommended that SCAG submit its Consolidated Annual Financial Report (CAFR) to the Government Finance Officers Association for the Certificate of Achievement for Excellence in Financial Reporting.”

SCAG continued efforts to update its financial and accounting procedures to maximize the efficiency of its operations and allow the agency to meet Southern California's increasingly complex planning needs. The implementation of these “Best Practices” improvements resulted from a multi-faceted process to review the agency's internal procedures and develop long-term improvements to various aspects of its operations.

SCAG completed its annual fiscal year 2003 audit by KPMG, LLP, and for the third consecutive year received an unqualified opinion, the highest form of opinion given. KPMG was so impressed with the improvements in SCAG's financial reporting, it recommended that SCAG submit its Consolidated Annual Financial Report (CAFR) to the Government Finance Officers Association for the Certificate of Achievement for Excellence in Financial Reporting.

FY 2003-04 Budget Summary

The following financial statement represents a summary from the Comprehensive Annual Financial Report of SCAG. A copy of the annual audited financial statement can be obtained by contacting Charlie Wagner at 213-236-1817 or wagner@scag.ca.gov.

Revenue Sources	(In Thousands)
Federal	\$22,540
State	\$ 670
Local	\$ 5,317
General Fund	\$ 1,221
Total Revenues	\$29,748

Expenditures	
Contractual Services	\$ 9,881
Salaries and Fringe	\$ 9,016
Indirect Costs	\$ 8,945
Contributions To Working Capital	\$ 566
All Other Expenditures	\$ 1,340
Total Expenditures	\$29,748



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